

# HOUSE BILL REPORT

## HB 1356

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### As Passed Legislature

**Title:** An act relating to local government insurance transactions.

**Brief Description:** Expanding local government insurance options.

**Sponsors:** By Representatives Pettigrew, Holmquist and Ormsby.

### Brief History:

#### Committee Activity:

Housing: 2/3/05, 2/10/05 [DP].

#### Floor Activity:

Passed House: 3/3/05, 97-0.

Passed Senate: 4/7/05, 44-0.

Passed Legislature.

### Brief Summary of Bill

- Authorizes joint self-insurance risk pools to incur debt, issue bonds, and make and accept loans.

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### HOUSE COMMITTEE ON HOUSING

**Majority Report:** Do pass. Signed by 9 members: Representatives Miloscia, Chair; Springer, Vice Chair; Holmquist, Ranking Minority Member; Dunn, Assistant Ranking Minority Member; McCune, Ormsby, Pettigrew, Schindler and Sells.

**Staff:** CeCe Clynch (786-7168).

#### Background:

Local government entities, including local housing authorities, have the authority to individually or jointly self-insure against risks, jointly purchase insurance or reinsurance, and contract for risk management, claims, and administrative services. Subject to specified conditions, local government entities may enter into joint self-insurance pools with similar entities from other states. The Risk Management Division within the Office of Financial Management (OFM) is responsible for the regulation of these pools.

There are currently 16 property/liability risk pools approved and regulated by the OFM, including the Housing Authorities Risk Retention Pool (HARRP). The HARRP is an intergovernmental joint risk pool formed by housing authorities in Washington, Oregon, California, and Nevada.

Joint risk pools may self-insure, purchase insurance or reinsurance, or both self-insure to a certain dollar amount and purchase reinsurance to cover the excess. The cost of insurance and reinsurance is rising and some insurers and reinsurers have left the market, causing the HARRP to contemplate increasing the extent to which it is self-insured. This would require a bigger reserve fund.

*Individual* local government entities in Washington, including housing authorities, are authorized to issue bonds and short-term obligations. *Joint* self-insurance risk pools are not specifically authorized to issue bonds and short term obligations.

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**Summary of Bill:**

Provisions are added to the law governing local government insurance transactions to allow a joint self-insurance risk pool to: (1) create and delegate powers to a separate legal or administrative entity; and (2) obligate the pool's participants to pledge revenues or contribute money to secure the obligations or pay the expenses of the pool, including the establishment of a reserve or fund for coverage.

A new section is added to this same law specifically authorizing a joint self-insurance pool to:

- contract indebtedness and issue revenue bonds or establish lines of credit in the manner provided for local governments in Chapter 39.46 RCW;
- contract indebtedness and issue short-term obligations in the manner provided for municipal corporations in Chapter 39.50 RCW; and
- contract indebtedness and issue refunding bonds in the manner provided for public bodies in Chapter 39.53 RCW.

Specific authority is also given to the joint self-insurance pool to:

- make loans of the proceeds of revenue bonds issued under this section to a joint self-insurance pool or a local government entity that has joined or formed a joint self-insurance pool; and
- accept loans of the proceeds of revenue bonds.

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**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date:** The bill takes effect 90 days after adjournment of session in which bill is passed.

**Testimony For:** This will allow the housing authorities to keep the insurance costs low and thereby keep housing affordable. The cost of reinsurance has tripled in the last five years. The cost is affected by global events. Self-insurance helps keep the costs down. In the 1980s there was a "hard" insurance market and at that time HUD encouraged housing authorities to create

insurance pools. Washington, alone, was not a big enough pool. Washington joined with other states to create a bigger pool.

**Testimony Against:** None.

**Persons Testifying:** Representative Pettigrew, prime sponsor; Renee Rooker, Association of Washington Housing Authority; and Ric Weaver, Housing Authorities Risk Retention Pool.

**Persons Signed In To Testify But Not Testifying:** None.